

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
AND CONSOLIDATING
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2016 AND 2015

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Member
SPBD Microfinance Holdings (Delaware) LLC

Management is responsible for the accompanying consolidated financial statements of SPBD Microfinance Holdings (Delaware) LLC and subsidiary, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive loss, member's deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board basis of accounting, and for determining that the IFRS basis of accounting is an acceptable financial reporting framework. We have performed the compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the consolidated financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these consolidated financial statements. During our compilations, we did become aware of a departure from IFRS that is described in the following paragraph.

As disclosed in Note 13 to the consolidated financial statements, International Financial Reporting Standards require certain information related to insurance contracts such as the recognition of assets, liabilities, income and expenses to be disclosed in the consolidated financial statements. Management has informed us that they believe it is impracticable to develop the information, and as such, this information has not been presented. The effects of the departure from International Financial Reporting Standards on financial position, results of operations and cash flows have not been determined.

We draw attention to Note 1 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared in accordance with the IFRS basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Supplementary Information

The accompanying consolidating supplementary information contained in the schedules on pages 19-22 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagements. We have not audited or reviewed the consolidating supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.



CERTIFIED PUBLIC ACCOUNTANTS

Livingston, New Jersey
August 31, 2017

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	<u>Note</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	3	\$ 2,285,494	\$ 2,225,045
Loans portfolio	4	9,209,376	7,728,745
Other receivables and current assets		<u>163,723</u>	<u>111,363</u>
Total current assets		<u>11,658,593</u>	<u>10,065,153</u>
Non-current assets:			
Property and equipment, net	5	498,469	363,852
Goodwill	1	<u>407,438</u>	<u>407,438</u>
Total non-current assets		<u>905,907</u>	<u>771,290</u>
TOTAL ASSETS		<u>\$ 12,564,500</u>	<u>\$ 10,836,443</u>
<u>LIABILITIES AND MEMBER'S DEFICIT</u>			
Current liabilities:			
Current portion of long-term debt	8	\$ 2,801,406	\$ 2,527,483
Current portion of obligations under finance leases	10	75,080	41,646
Borrowers' savings deposits	7	1,925,058	1,627,606
Bank overdrafts	6	1,046,992	1,323,075
Accounts payable and accrued expenses		376,662	229,886
Current portion of loans payable to related parties	9	125,000	171,373
Due to related parties	12	39,634	9,241
Income taxes payable	11	<u>100,590</u>	<u>39,501</u>
Total current liabilities		<u>6,490,422</u>	<u>5,969,811</u>
Non-current liabilities:			
Long-term debt, net of current portion	8	7,102,223	5,746,528
Obligations under finance leases, net of current portion	10	146,936	58,926
Loans payable to related parties, net of current portion	9	<u>303,460</u>	<u>280,000</u>
Total non-current liabilities		<u>7,552,619</u>	<u>6,085,454</u>
Total liabilities		<u>14,043,041</u>	<u>12,055,265</u>
Commitments (Notes 8, 9, 10 and 14)			
Member's deficit:			
Member's deficit		(1,369,771)	(1,204,249)
Accumulated comprehensive loss		<u>(108,770)</u>	<u>(14,573)</u>
Total member's deficit		<u>(1,478,541)</u>	<u>(1,218,822)</u>
TOTAL LIABILITIES AND MEMBER'S DEFICIT		<u>\$ 12,564,500</u>	<u>\$ 10,836,443</u>

See independent accountant's compilation report and
accompanying notes to consolidated financial statements.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Financial revenues	1	\$ 4,653,392	\$ 4,054,120
Other income		215,459	169,836
Financial expenses		(1,236,381)	(980,330)
Other operating expenses		<u>(3,666,018)</u>	<u>(3,497,667)</u>
Loss before income tax expense		(33,548)	(254,041)
Income tax expense	11	<u>(131,974)</u>	<u>(94,851)</u>
Net loss		(165,522)	(348,892)
Foreign currency translation adjustments		<u>(94,197)</u>	<u>35,568</u>
COMPREHENSIVE LOSS		<u>\$ (259,719)</u>	<u>\$ (313,324)</u>

See independent accountant's compilation report and
accompanying notes to consolidated financial statements.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF MEMBER'S DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Member's Deficit</u>	<u>Accumulated Comprehensive Loss</u>	<u>Total</u>
Balance at January 1, 2015	\$ (855,357)	\$ (50,141)	\$ (905,498)
Comprehensive loss:			
Net loss	(348,892)	-	(348,892)
Foreign currency translation adjustments	<u>-</u>	<u>35,568</u>	<u>35,568</u>
Balance at December 31, 2015	(1,204,249)	(14,573)	(1,218,822)
Comprehensive loss:			
Net loss	(165,522)	-	(165,522)
Foreign currency translation adjustments	<u>-</u>	<u>(94,197)</u>	<u>(94,197)</u>
BALANCE AT DECEMBER 31, 2016	<u>\$ (1,369,771)</u>	<u>\$ (108,770)</u>	<u>\$ (1,478,541)</u>

See independent accountant's compilation report and
accompanying notes to consolidated financial statements.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net loss	\$ (165,522)	\$ (348,892)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property and equipment	146,373	126,498
Gain on disposition of property and equipment	(4,511)	(2,869)
Loan loss provision	98,400	56,055
Interest expense	1,004,014	793,083
Income tax expense	<u>131,974</u>	<u>94,851</u>
	1,210,728	718,726
Changes in assets and liabilities:		
Loans portfolio	(1,579,031)	(1,253,686)
Other receivables and current assets	(52,360)	10,166
Due to related parties	30,393	(38,103)
Borrowers' saving deposits	297,452	212,009
Accounts payable and accrued expenses	<u>146,776</u>	<u>(60,463)</u>
Cash provided by (used in) operations	53,958	(411,351)
Interest paid	(1,004,014)	(793,083)
Income tax paid	<u>(70,885)</u>	<u>(177,760)</u>
Net cash used in operating activities	<u>(1,020,941)</u>	<u>(1,382,194)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(286,964)	(153,962)
Proceeds from disposition of property and equipment	<u>10,485</u>	<u>36,376</u>
Net cash used in investing activities	<u>(276,479)</u>	<u>(117,586)</u>
Cash flows from financing activities:		
Proceeds from debt, net	1,751,062	826,888
Increase (decrease) in bank overdrafts	(276,083)	361,266
Repayments of related party loans	(296,373)	(201,376)
Proceeds from related party loans	<u>273,460</u>	<u>-</u>
Net cash provided by financing activities	<u>1,452,066</u>	<u>986,778</u>
Effect of foreign currency translation adjustments	<u>(94,197)</u>	<u>35,568</u>
Net increase (decrease) in cash and cash equivalents	60,449	(477,434)
Cash and cash equivalents - beginning	<u>2,225,045</u>	<u>2,702,479</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 2,285,494</u>	<u>\$ 2,225,045</u>

See independent accountant's compilation report and accompanying notes to consolidated financial statements.

SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The accompanying consolidated financial statements include the accounts of SPBD Microfinance Holdings (Delaware) LLC ("Delaware") and its wholly-owned subsidiary, SPBD Microfinance Holdings (Singapore) PTE. Ltd. ("Singapore"), hereinafter collectively referred to as the "Company." All significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of operations

The Company provides financial services, training, on-going guidance and motivation to economically disadvantaged people in several third-world countries. These activities are conducted primarily through Singapore's four operating subsidiaries, as follows: South Pacific Business Development Microfinance Ltd. (located in The Kingdom of Tonga) ("SPBD Tonga"); SPBD Microfinance (Samoa) Ltd. (located in the Independent State of Samoa) ("SPBD Samoa"); South Pacific Business Development Microfinance (Fiji) (Ltd.) (located in the Republic of Fiji) ("SPBD Fiji") and; South Pacific Business Development Microfinance (Solomon Islands) Limited (located in the Solomon Islands) ("SPBD Solomon"). SPBD Microfinance (Vanuatu) Ltd. (located in the Republic of Vanuatu) was formed as a fifth operating subsidiary during 2016 but had no operations during the year.

The Company's immediate and ultimate holding company is SPBD Microfinance Holdings (Delaware) LLC (incorporated in the United States of America). The Company's ultimate controlling shareholder is Mr. Gregory Francis Casagrande.

These consolidated financial statements were approved by the board of directors and authorized for issuance on August 31, 2017.

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which require use of the historical cost basis, except when otherwise noted, and are presented in the United States dollar (US\$), the functional currency of Delaware.

New accounting pronouncement

Effective for the year ending December 31, 2018, the Company will be required to adopt IFRS 15, *Revenue from Contracts with Customers*, which will replace the current revenue recognition guidance pertaining to contracts with customers contained IFRS. The effect of adopting IFRS 15 on the Company's consolidated financial statements and related disclosures has not yet been determined.

Effective for the year ending December 31, 2018, the Company will be required to adopt IFRS 9, *Financial Instruments*, which will replace the current guidance pertaining to the classification, measurement, impairment and hedge accounting requirements for financial assets. The effect of adopting IFRS 9 on the Company's consolidated financial statements and related disclosures has not yet been determined.

Effective for the year ending December 31, 2019, the Company will be required to adopt IFRS 16, *Leases*, which will replace the current guidance pertaining to the Company's lease obligations. The effect of adopting IFRS 16 on the Company's consolidated financial statements and related disclosures has not yet been determined.

See independent accountant's compilation report.

SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and it can be measured reliably, and also after obtaining reasonable assurance about its collectability. Revenue from rendering services is recognized upon delivery of services to the customers.

Interest income

Interest income is recognized on an accrual basis using the effective interest method.

Development fee

The Company charges certain percentage 1% to 3% of principal loan amount which is used to cover the cost of training members, loan evaluation and monitoring. This fee is deducted from the loan proceeds, and is recognized in the period when the services are rendered.

Loan insurance fee

The Company charges and withholds 1% to 2% as an insurance on the principal loan amount plus interest issued to the borrowing members as security in case of death of the borrowing member before full payment of their loans. The loan insurance fee is recognized as income when earned.

Death benefit fee

The Company offers a Death Benefit program to help the families of the Company's members reduce the burden of bereavement and funeral expenses when a borrowing member dies by charging a loan fee during disbursement of the principal loan amount. The fee is recognized as income when earned.

Saving withdrawal fee

A fee is charged by the Company to its members when they make withdrawals from their savings account and is recognized upon the withdrawals.

Membership fee

A membership fee is charged to the members for entitlements given by the Company. Membership fees are non-refundable and recognized as income over the duration of the membership.

Grant income

Grant income is recognized when there is:

- i) Entitlement to the grant;
- ii) Virtual certainty that it will be received; and
- iii) Sufficient measurability of the amount.

See independent accountant's compilation report.

SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined contribution plan

Defined contributions are recognized as an expense in the same period as the employment that gives rise to the contribution. The Company has no further payment obligations once the contributions have been paid. For the years ended December 31, 2016 and 2015, defined contribution expense was \$44,056 and \$40,591, respectively.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash on deposit and short-term investments that are readily convertible into cash and purchased with original maturities of three months or less.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment or whenever the circumstances indicate that the value of the asset may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the company sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose, identified accordingly to the operating segment.

At both December 31, 2016 and 2015, management has determined that there was no impairment of goodwill.

Property and equipment

Property and equipment are carried at cost, less accumulated depreciation. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The costs of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized.

Except for leasehold improvements, depreciation is provided using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of the remaining lease term or the estimated useful lives of the assets. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with effect of any changes in estimate accounted for on a prospective basis. The annual rates have been taken as follows:

Leasehold improvements	2 - 20 years
Furniture and fixtures	2 - 8 years
Office equipment	2 - 8 years
Computer equipment and peripherals	2 - 5 years
Motor vehicles	2 - 5 years
Software and electronic systems	3 - 4 years

See independent accountant's compilation report.

SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

During the reporting period, the Company evaluates whether there is any indication that an asset has been impaired. Should any such indication exist, the Company estimates the recoverable amount of that asset to determine the amount of impairment in each case. In the case of identified assets that do not generate cash flows independently, the Company estimates the recoverability of the cash generating unit to which the asset belongs, which is understood to be the smallest identifiable group of assets that generate cash inflows.

At both December 31, 2016 and 2015, management has determined that no impairment of assets was sustained.

Loans portfolio

Loans, net of loan loss allowance and loan insurance loss reserve, include direct financial assistance provided to economically disadvantaged people, particularly women, who cannot easily access savings and loan products from traditional banks. They are carried at a recoverable amount represented by the gross value of the outstanding balance adjusted for loan loss allowance and loan insurance loss reserve.

The Company conducts a loan loss analysis quarterly to determine an adequate reserve for doubtful loans by applying predicted loss percentages to aged loans grouped by lateness of payment. A loan becomes late as a scheduled payment is missed.

Foreign currency translation

Assets and liabilities of foreign subsidiaries are translated at the rate of exchange in effect on the consolidated balance sheet date; income and expenses are translated at the average rate of exchange prevailing during the year. Such foreign currency gains or losses are reflected in "other comprehensive income (loss)."

Transactional foreign currency gains or losses are reflected in operations.

Income taxes

Delaware is a limited liability company and, at the election of its member, is treated as a corporation for federal and state income tax purposes. Singapore is a private limited liability company incorporated in Singapore and is subject to various taxes and fees imposed by the taxing authority of Singapore. Income tax is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant timing differences. A deferred tax asset is recorded only where there is a reasonable expectation of realization.

The Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

Delaware files U.S. federal income tax returns. Delaware returns filed for years before 2015 are no longer subject to examination. Singapore and its subsidiaries file their income tax returns with various foreign taxing authorities. All income tax returns filed by the entities are subject to income tax examinations by their respective taxing authorities.

See independent accountant's compilation report.

SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events

The Company has evaluated all events or transactions that occurred through August 31, 2017, the date that these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

NOTE 2. CONCENTRATION OF CREDIT RISK

Routinely throughout the year, the Company maintained certain bank accounts that are not insurable. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to such balances.

Substantially all of the Company's program activities are provided to affiliates in the developing countries of Samoa, the Kingdom of Tonga, Fiji and the Solomon Islands. The Company's services are subject to various political, economic, and other risks and uncertainties inherent in the countries in which the Company operates. Among other risks, the Company's activities are subject to the risks and restrictions on transfer of funds, foreign exchange restrictions, political conditions and governmental regulations. The Company's exposure to changes in foreign currency rates relate primarily to its outstanding foreign currency bank balances, other receivables and other payables. The Company monitors foreign currency exchange fluctuations and takes the appropriate steps to minimize or reduce exchange losses.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 61,870	\$ 27,187
Cash in banks	1,248,075	1,181,506
Vodafone M-Paisa account	57,639	120,677
Fixed deposits	<u>917,910</u>	<u>895,675</u>
Total cash and cash equivalents	<u>\$ 2,285,494</u>	<u>\$ 2,225,045</u>

See independent accountant's compilation report.

SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4. LOANS PORTFOLIO

Activity in the Company's loans portfolio during the years ended December 31, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Balance at beginning of the year	\$ 8,606,013	\$ 6,744,878
Loans disbursed during the year	16,961,739	14,191,909
Loans repaid during the year	(15,388,574)	(12,287,963)
Write-offs during the year	<u>(53,487)</u>	<u>(42,811)</u>
Gross loans portfolio	10,125,691	8,606,013
Allowance for loans losses	(122,331)	(78,773)
Currency translation adjustment	<u>(793,984)</u>	<u>(798,495)</u>
Loans portfolio, net	<u>\$ 9,209,376</u>	<u>\$ 7,728,745</u>

The Company's allowance for loan losses is as follows:

Balance at beginning of the year	\$ 78,773	\$ 72,074
Charge to profit or loss	98,400	56,055
Loans written off	(53,487)	(42,811)
Currency translation adjustment	<u>(1,355)</u>	<u>(6,545)</u>
Balance at end of the year	<u>\$ 122,331</u>	<u>\$ 78,773</u>

See independent accountant's compilation report.

SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2016 and 2015:

	<u>Leasehold improvements</u>	<u>Furniture and fixtures</u>	<u>Office equipment</u>	<u>Computer equipment and peripherals</u>	<u>Motor vehicles</u>	<u>Software and electronic systems</u>	<u>Total</u>
Cost at January 1, 2015	\$ 36,203	\$ 93,501	\$ 40,834	\$ 132,962	\$ 407,820	\$ 34,674	\$ 745,994
Additions	117	4,702	9,277	16,781	120,225	2,860	153,962
Disposals	-	-	-	(1,861)	(5,336)	-	(7,197)
Translation adjustment	<u>(3,670)</u>	<u>(8,424)</u>	<u>(3,564)</u>	<u>(12,661)</u>	<u>(42,024)</u>	<u>(2,669)</u>	<u>(73,012)</u>
Cost at December 31, 2015	32,650	89,779	46,547	135,221	480,685	34,865	819,747
Additions	12,679	8,081	16,650	29,637	216,675	3,242	286,964
Disposals	-	-	-	-	(23,270)	-	(23,270)
Translation adjustment	<u>353</u>	<u>(74)</u>	<u>(247)</u>	<u>1,022</u>	<u>1,200</u>	<u>(351)</u>	<u>1,903</u>
Cost at December 31, 2016	<u>\$ 45,682</u>	<u>\$ 97,786</u>	<u>\$ 62,950</u>	<u>\$ 165,880</u>	<u>\$ 675,290</u>	<u>\$ 37,756</u>	<u>\$ 1,085,344</u>
Accumulated depreciation at							
January 1, 2015	\$ 22,442	\$ 47,233	\$ 23,292	\$ 84,927	\$ 175,941	\$ 22,264	\$ 376,099
Depreciation expense	3,855	17,559	4,716	20,583	76,137	3,648	126,498
Disposals	-	-	-	(1,861)	-	-	(1,861)
Translation adjustment	<u>(2,222)</u>	<u>(4,969)</u>	<u>(2,503)</u>	<u>(8,782)</u>	<u>(24,540)</u>	<u>(1,825)</u>	<u>(44,841)</u>
Accumulated depreciation at							
December 31, 2015	24,075	59,823	25,505	94,867	227,538	24,087	455,895
Depreciation expense	4,110	15,013	5,968	21,905	91,211	8,166	146,373
Disposals	-	-	-	-	(14,109)	-	(14,109)
Translation adjustment	<u>210</u>	<u>(159)</u>	<u>(171)</u>	<u>330</u>	<u>(1,062)</u>	<u>(432)</u>	<u>(1,284)</u>
Accumulated depreciation at							
December 31, 2016	<u>\$ 28,395</u>	<u>\$ 74,677</u>	<u>\$ 31,302</u>	<u>\$ 117,102</u>	<u>\$ 303,578</u>	<u>\$ 31,821</u>	<u>\$ 586,875</u>
Property and equipment, net	<u>\$ 17,287</u>	<u>\$ 23,109</u>	<u>\$ 31,648</u>	<u>\$ 48,778</u>	<u>\$ 371,712</u>	<u>\$ 5,935</u>	<u>\$ 498,469</u>

See independent accountant's compilation report.

SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6. BANK OVERDRAFTS

Interest on bank overdrafts ranges from 9.75% to 10.50% per annum for both 2016 and 2015. Bank overdrafts are secured by a standby letter of credit of GBP 10,000 or equivalent US\$12,332 (2015: US\$14,763), and fixed deposits of US\$673,384 (2015: US\$539,970). Bank overdraft of US\$808,016 (2015: US\$605,442) is secured by guarantee from the Company.

NOTE 7. BORROWERS' SAVINGS DEPOSITS

In accordance with each loan agreement, a savings account is required to be established by a borrower by depositing an initiation deposit amount of \$4 to \$5. When the loan has been processed and approved, borrowers can regularly deposit and withdraw from their savings account which gets recorded in the borrowers' savings account. Borrowers with a current loan balance are required to maintain their savings account with a minimum required balance.

There is no limit on the amount of money borrowers can keep in the savings accounts. The minimum balance that a borrower can keep is \$4 to \$5. Borrowers can withdraw money from their savings account at any time for emergencies, however the savings account can be closed and fully withdrawn only after the loan outstanding is fully paid off.

NOTE 8. LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Secured interest bearing commercial loans	\$ 5,897,751	\$ 4,998,567
Unsecured interest bearing term loans	2,373,401	2,836,601
Unsecured non-interest bearing term loans	<u>1,632,477</u>	<u>438,843</u>
	9,903,629	8,274,011
Less: current portion	<u>2,801,406</u>	<u>2,527,483</u>
Long-term debt, net of current portion	<u>\$ 7,102,223</u>	<u>\$ 5,746,528</u>

Secured interest bearing commercial loans, bearing interest at rates ranging from 8.5% to 14%, is due periodically through December 2020.

Unsecured interest bearing term loans, bearing interest at rates ranging from 1.5% to 11.5%, are due periodically through June 2020.

Unsecured non-interest bearing term loans have no fixed term of repayment, except for one that is due periodically through June 2020.

For the years ended December 31, 2016 and 2015, interest expense was \$1,236,381 and \$980,330, respectively.

SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 9. LOANS PAYABLE TO RELATED PARTIES

Loans payable to related parties consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unsecured loans payable to an entity controlled by the Company's member. Interest is payable quarterly at 8%. Principal is payable in quarterly installments of \$31,250 beginning in March 2016 through December 2017.	\$ 125,000	\$ 250,000
Unsecured loans payable to an entity controlled by the Company's member. Interest is payable semi-annually at 8%. Principal is payable in semi-annual installments of \$15,000 in June and December 2018.	30,000	30,000
Unsecured loan payable to an entity controlled by the Company's member. Interest is payable quarterly at 5%. Principal is payable in semi-annual installments of \$7,500 beginning in June 2019 through December 2020.	30,000	-
Unsecured loan payable to an entity controlled by the Company's member. Interest is payable quarterly at 8%. Principal is payable in semi-annual installments of \$12,500 beginning in June 2018 through December 2019.	50,000	-
Unsecured loan payable to an entity controlled by the Company's member. Interest is payable quarterly at 8%. Principal is payable in semi-annual installments of \$17,500 beginning in June 2018 through December 2019.	70,000	-
Unsecured loan payable to the Company's member. Interest is payable quarterly at 5%. Principal is payable in semi-annual installments of \$12,500 beginning in June 2019 through December 2020.	49,997	-
Unsecured loan payable to an entity controlled by the Company's member. Interest is payable quarterly at 8%. Principal is due no later than March 2020.	73,463	-
Unsecured loan payable to the Company's member. Interest is payable quarterly at 8%. Principal is payable in quarterly installments of \$27,844 beginning in March 2015 through December 2016.	-	111,373
Unsecured loans payable to an entity controlled by the Company's member. Interest is payable quarterly at 8%. Principal is payable in quarterly installments of \$30,000 beginning in June 2015 through June 2016.	<u>-</u>	<u>60,000</u>
	428,460	451,373
Less: current portion	<u>125,000</u>	<u>171,373</u>
Loans payable to related parties, net of current portion	<u>\$ 303,460</u>	<u>\$ 280,000</u>

See independent accountant's compilation report.

SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 10. OBLIGATIONS UNDER FINANCE LEASES

	<u>Minimum lease payment</u>	
	<u>2016</u>	<u>2015</u>
Amounts payable under finance lease:		
Within 1 year	\$ 95,608	\$ 52,188
Between 1 year to 5 years	163,668	64,058
	259,276	116,246
Less: future finance charge	37,260	15,674
Present value of lease obligations	222,016	100,572
Less: current portion	75,080	41,646
Obligations, net of current portion	\$ 146,936	\$ 58,926

The finance lease obligations bear interest ranges from 11% to 11.7% (2015: 6.5% to 12%) per annum. The carrying amount of the assets acquired under the lease obligations approximates their fair values. The net carrying amount of motor vehicles acquired under finance lease agreements is included in Note 5.

NOTE 11. INCOME TAXES

The liability for income taxes consisted of the following at December 31, 2016 and 2015:

Balance at January 1, 2015	\$ 122,410
Income tax - current year	94,851
Income tax paid in 2015	(177,760)
Balance at December 31, 2015	39,501
Income tax - current year	131,974
Income tax paid in 2016	(70,885)
Balance at December 31, 2016	\$ 100,590

At December 31, 2016 and 2015, SPBD Fiji and SPBD Solomon have available unused net operating losses that may be applied against future taxable income. For financial reporting purposes, these subsidiaries have incurred losses in each period since their inception. Based on the available objective evidence, including the subsidiaries' history of losses, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against the deferred tax assets at December 31, 2016 and 2015.

At December 31, 2016 and 2015, the Company has unutilized tax losses amounting to approximately \$3,068,000 and \$3,074,000, respectively, available for offsetting against future taxable income. The related tax benefits of approximately \$764,000 and \$736,000 in 2016 and 2015, respectively, arising from these unutilized tax losses have not been recognized in the accompanying consolidated financial statements as there is no reasonable certainty of their realization in the future periods. The availability of the unabsorbed tax losses for set off against future taxable income is subject to the tax regulations of the respective countries in which the companies are incorporated and approval by the relevant taxing authorities.

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 11. INCOME TAXES (CONTINUED)

The breakdown of unutilized tax losses is as follows:

<u>Expiration dates</u>	<u>2016</u>	<u>2015</u>
December 31, 2016	\$ -	\$ 538,000
December 31, 2017	677,000	664,000
December 31, 2018	873,000	854,000
December 31, 2019	601,000	587,000
December 31, 2020	549,000	387,000
December 31, 2021	326,000	-
2022 through 2036	42,000	-
No expiry dates subject to terms and conditions	-	44,000
	<u>\$ 3,068,000</u>	<u>\$ 3,074,000</u>

NOTE 12. RELATED-PARTY TRANSACTIONS

During the years ended December 31, 2016 and 2015, the Company paid director's fees of \$4,720 and \$5,188, respectively, and the Company also paid management fees of \$549,944 and \$412,746, respectively, to an entity owned by a director of the Company.

Due to related parties represents amounts payable to this entity for accrued management fees and unreimbursed expenses. The balances are \$39,634 and \$9,241 as of December 31, 2016 and 2015, respectively.

Some of the Company's loans are guaranteed by two related party, non-profit organizations. A director of the Company is also a board member of the non-profit organizations. In addition, the Company has \$941,428 and \$959,953, respectively, of unsecured interest bearing term notes payable to these related entities at December 31, 2016 and 2015. These related-party term notes payable are included as part of the long-term debt in Note 8. Interest expense on loans payable to these related entities totaled \$80,015 and \$71,985 in 2016 and 2015, respectively.

NOTE 13. DEATH BENEFITS

Death Benefit fees are generated from the death benefit program provided by Singapore's operating subsidiaries. IFRS 4, *Insurance Contracts*, requires certain information related to the recognition of assets, liabilities, income and expense, insurance risk, and actuarial assumptions for the death benefits to be disclosed in the consolidated financial statements. Management has informed us that they believe it is impracticable to develop the information, and as such, this information has not been presented. If the omitted disclosures were included in the consolidated financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the consolidated financial statements are not designed for those who are not informed about such matters.

SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 14. COMMITMENTS

Leasing agreements

At December 31, 2016 and 2015, there are leasing commitments in respect to rental of premises which are payable as follows:

	<u>2016</u>	<u>2015</u>
Payable within 1 year	\$ 203,283	\$ 195,139
Payable later than 1 year but within 5 years	213,939	202,640
Payable after 5 years	<u>-</u>	<u>44,997</u>
	<u>\$ 417,222</u>	<u>\$ 442,776</u>

Rent expense for the years ended December 31, 2016 and 2015, was \$251,812 and \$242,345, respectively.

Letter of credit

The Company is the beneficiary of an open ended standby letter of credit in the amount of GBP 10,000, which may be used to support certain of its banking facilities. As of December 31, 2016 and 2015, no funds were advanced under this letter of credit. The letter of credit has no specified expiration date but may be terminated upon three months notice by the issuer.

Operating lease commitment as a lessor

The Company has entered into an operating lease on its motor vehicles. This non-cancelable lease has renewal rights.

	<u>2016</u>	<u>2015</u>
Payable within 1 year	\$ 18,719	\$ 20,779
Payable later than 1 year but within 5 years	43,677	18,423
Payable after 5 years	<u>-</u>	<u>42,987</u>
	<u>\$ 62,396</u>	<u>\$ 82,189</u>

NOTE 15. GOING CONCERN

The Company incurred a total comprehensive loss of \$259,719 and \$313,324, respectively, for the years ended December 31, 2016 and 2015. The Company also had a net member's deficit of \$1,478,541 at December 31, 2016. The conditions indicated the existence of an uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern and to realize its assets and discharge its liabilities in the ordinary course of business. Management has prepared a cash flow forecast and believes that the Company will have sufficient cash resources to satisfy its working capital requirements and to meet its obligations as and when they fall due.

SUPPLEMENTARY INFORMATION

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

	SPBD Microfinance Holdings (Delaware) LLC	SPBD Microfinance Holdings (Singapore) PTE Ltd.	Eliminations	Total
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 22,960	\$ 2,262,534	\$ -	\$ 2,285,494
Loans portfolio	-	9,209,376	-	9,209,376
Other receivables and current assets	-	163,723	-	163,723
	<u>22,960</u>	<u>11,635,633</u>	<u>-</u>	<u>11,658,593</u>
Total current assets				
Non-current assets:				
Property and equipment, net	-	498,469	-	498,469
Goodwill	-	407,438	-	407,438
Investment in subsidiary	1,429,998	-	(1,429,998)	-
	<u>1,429,998</u>	<u>905,907</u>	<u>(1,429,998)</u>	<u>905,907</u>
Total non-current assets				
TOTAL ASSETS	<u>\$ 1,452,958</u>	<u>\$ 12,541,540</u>	<u>\$ (1,429,998)</u>	<u>\$ 12,564,500</u>
<u>LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</u>				
Current liabilities:				
Current portion of long-term debt	\$ -	\$ 2,801,406	\$ -	\$ 2,801,406
Current portion of obligations under finance leases	-	75,080	-	75,080
Borrowers' savings deposits	-	1,925,058	-	1,925,058
Bank overdrafts	-	1,046,992	-	1,046,992
Accounts payable and accrued expenses	750	375,912	-	376,662
Current portion of loans payable to related parties	125,000	-	-	125,000
Due to related parties	-	39,634	-	39,634
Income taxes payable	-	100,590	-	100,590
	<u>125,750</u>	<u>6,364,672</u>	<u>-</u>	<u>6,490,422</u>
Total current liabilities				
Non-current liabilities:				
Long-term debt, net of current portion	-	7,102,223	-	7,102,223
Obligations under finance leases, net of current portion	-	146,936	-	146,936
Loans payable to related parties, net of current portion	229,997	73,463	-	303,460
	<u>229,997</u>	<u>7,322,622</u>	<u>-</u>	<u>7,552,619</u>
Total non-current liabilities				
Total liabilities				
	<u>355,747</u>	<u>13,687,294</u>	<u>-</u>	<u>14,043,041</u>
Member's equity (deficit):				
Member's equity (deficit)	1,097,211	-	(2,466,982)	(1,369,771)
Share capital	-	1,429,998	(1,429,998)	-
Accumulated deficit	-	(2,466,982)	2,466,982	-
Accumulated comprehensive loss	-	(108,770)	-	(108,770)
	<u>1,097,211</u>	<u>(1,145,754)</u>	<u>(1,429,998)</u>	<u>(1,478,541)</u>
Total member's equity (deficit)				
TOTAL LIABILITIES AND MEMBER'S EQUITY (DEFICIT)	<u>\$ 1,452,958</u>	<u>\$ 12,541,540</u>	<u>\$ (1,429,998)</u>	<u>\$ 12,564,500</u>

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015**

	SPBD Microfinance Holdings (Delaware) LLC	SPBD Microfinance Holdings (Singapore) PTE Ltd.	Eliminations	Total
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 7,034	\$ 2,218,011	\$ -	\$ 2,225,045
Loans portfolio	-	7,728,745	-	7,728,745
Other receivables and current assets	-	111,363	-	111,363
	<u>7,034</u>	<u>10,058,119</u>	<u>-</u>	<u>10,065,153</u>
Total current assets				
Non-current assets:				
Property and equipment, net	-	363,852	-	363,852
Goodwill	-	407,438	-	407,438
Investment in subsidiary	1,429,998	-	(1,429,998)	-
	<u>1,429,998</u>	<u>771,290</u>	<u>(1,429,998)</u>	<u>771,290</u>
Total non-current assets				
TOTAL ASSETS	<u>\$ 1,437,032</u>	<u>\$ 10,829,409</u>	<u>\$ (1,429,998)</u>	<u>\$ 10,836,443</u>
<u>LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</u>				
Current liabilities:				
Current portion of long-term debt	\$ -	\$ 2,527,483	\$ -	\$ 2,527,483
Current portion of obligations under finance leases	-	41,646	-	41,646
Borrowers' savings deposits	-	1,627,606	-	1,627,606
Bank overdrafts	-	1,323,075	-	1,323,075
Accounts payable and accrued expenses	855	229,031	-	229,886
Current portion of loans payable to related parties	111,373	60,000	-	171,373
Due to related parties	-	9,241	-	9,241
Income taxes payable	-	39,501	-	39,501
	<u>112,228</u>	<u>5,857,583</u>	<u>-</u>	<u>5,969,811</u>
Total current liabilities				
Non-current liabilities:				
Long-term debt, net of current portion	-	5,746,528	-	5,746,528
Obligations under finance leases, net of current portion	-	58,926	-	58,926
Loans payable to related parties, net of current portion	280,000	-	-	280,000
	<u>280,000</u>	<u>5,805,454</u>	<u>-</u>	<u>6,085,454</u>
Total non-current liabilities				
Total liabilities	<u>392,228</u>	<u>11,663,037</u>	<u>-</u>	<u>12,055,265</u>
Member's equity (deficit):				
Member's equity (deficit)	1,044,804	-	(2,249,053)	(1,204,249)
Share capital	-	1,429,998	(1,429,998)	-
Accumulated deficit	-	(2,249,053)	2,249,053	-
Accumulated comprehensive loss	-	(14,573)	-	(14,573)
	<u>1,044,804</u>	<u>(833,628)</u>	<u>(1,429,998)</u>	<u>(1,218,822)</u>
Total member's equity (deficit)				
TOTAL LIABILITIES AND MEMBER'S EQUITY (DEFICIT)	<u>\$ 1,437,032</u>	<u>\$ 10,829,409</u>	<u>\$ (1,429,998)</u>	<u>\$ 10,836,443</u>

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2016**

	SPBD Microfinance Holdings (Delaware) LLC	SPBD Microfinance Holdings (Singapore) PTE Ltd.	Eliminations	Total
Financial revenues	\$ 170,000	\$ 4,653,392	\$ (170,000)	\$ 4,653,392
Dividend income	65,062	-	(65,062)	-
Other income	1	215,458	-	215,459
Financial expenses	(32,728)	(1,203,653)	-	(1,236,381)
Other operating expenses	<u>(149,928)</u>	<u>(3,686,090)</u>	<u>170,000</u>	<u>(3,666,018)</u>
Income (loss) before income tax expense	52,407	(20,893)	(65,062)	(33,548)
Income tax expense	<u>-</u>	<u>(131,974)</u>	<u>-</u>	<u>(131,974)</u>
Net income (loss)	52,407	(152,867)	(65,062)	(165,522)
Foreign currency translation adjustments	<u>-</u>	<u>(94,197)</u>	<u>-</u>	<u>(94,197)</u>
COMPREHENSIVE INCOME (LOSS)	<u>\$ 52,407</u>	<u>\$ (247,064)</u>	<u>\$ (65,062)</u>	<u>\$ (259,719)</u>

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
CONSOLIDATING STATEMENT OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	SPBD Microfinance Holdings (Delaware) LLC	SPBD Microfinance Holdings (Singapore) PTE Ltd.	Eliminations	Total
Financial revenues	\$ 138,000	\$ 4,054,120	\$ (138,000)	\$ 4,054,120
Other income	-	169,836	-	169,836
Financial expenses	(37,072)	(943,258)	-	(980,330)
Other operating expenses	<u>(119,648)</u>	<u>(3,516,019)</u>	<u>138,000</u>	<u>(3,497,667)</u>
Loss before income tax expense	(18,720)	(235,321)	-	(254,041)
Income tax expense	<u>-</u>	<u>(94,851)</u>	<u>-</u>	<u>(94,851)</u>
Net loss	(18,720)	(330,172)	-	(348,892)
Foreign currency translation adjustments	<u>-</u>	<u>35,568</u>	<u>-</u>	<u>35,568</u>
COMPREHENSIVE LOSS	<u><u>\$ (18,720)</u></u>	<u><u>\$ (294,604)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (313,324)</u></u>

See independent accountant's compilation report.